

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP., d/b/a LIBERTY UTILITIES	DOCKET NO. RPU-2016-0003 (TF-2016-0303,TF-2016-0304, TF-2016-0305, TF-2016-0306)
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**ORDER REGARDING HEARING ON SETTLEMENT AGREEMENT AND  
REQUESTING ADDITIONAL INFORMATION**

(Issued February 20, 2017)

**BACKGROUND**

On July 25, 2016, Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities (Liberty), filed with the Utilities Board (Board) an application to increase its annual revenues by approximately \$1 million, or 61.3 percent. Liberty's application was identified as Docket No. RPU-2016-0003. Liberty also filed proposed tariff revisions that would implement the rate increase in three phases. The proposed tariff revisions were identified as TF-2016-0304, TF-2016-0305, and TF-2016-0306. Pursuant to Iowa Code § 476.6(9)(b), on August 4, 2016, Liberty implemented temporary rates specified in a tariff identified as TF-2016-0303.

On August 16, 2016, the Board issued an order that docketed Liberty's proposed tariffs and established a procedural schedule that specified a hearing would be held beginning on February 22, 2017, in the Hearing Room at the Board's offices in Des Moines, Iowa. In an order issued on November 17, 2016, the Board

modified the procedural schedule to change the location of the hearing to the Grand Theatre in Keokuk, Iowa.

On February 17, 2017, Liberty, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, and intervening parties the City of Keokuk, Iowa, and Roquette America, Inc., filed a “Joint Motion for Approval of Unanimous Settlement” (Joint Motion) and a “Stipulation and Agreement” (Settlement) identifying the issues the parties have settled. In the Joint Motion, the parties state that the Settlement resolves all issues in this proceeding among all parties except for the amount of just and reasonable rate case expenses to be recovered by Liberty. The parties assert the Settlement is reasonable in light of the whole record, consistent with law, and is in the public interest, as required by the Board’s rule at 199 IAC 7.18. The parties do not believe a hearing on the Settlement is necessary and ask that the Board cancel the hearing scheduled to begin on February 22, 2017. Alternatively, the parties ask that if the Board wishes to hold a hearing on the merits of the Settlement, it do so at the previously scheduled February 22, 2017, hearing, and that, in order to reduce rate case expense, the Board move the venue for that hearing from Keokuk, Iowa, to the Board’s Hearing Room in Des Moines. The parties ask the Board to approve the Settlement in its entirety without condition or modification.

## **DISCUSSION**

Pursuant to Board rule 7.18, the Board “will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.” Based on its initial review of the Settlement and the prepared testimony and exhibits in the record, the Board has identified certain issues about which further information is necessary for the Board to determine whether the Settlement meets the standards of rule 7.18. The Board acknowledges the parties’ efforts to save rate case expense by negotiating the Settlement. However, the Board will still need to explore certain aspects of the Settlement in order to perform its independent role of determining whether to approve the Settlement. The Board still considers it important to allow Liberty customers to observe the process. Therefore, the Board will hold the hearing as scheduled in Keokuk, Iowa, for the purpose of admitting prefiled testimony into the record and to allow the Board to ask questions about the Just and Reasonable Rate Case Expenses (Article XI of the Settlement), Rate Design (Article XIII of the Settlement), and the reasonableness of the Settlement in light of the whole record. The Board will also require Liberty to introduce at the hearing an estimate of its rate case expense incurred as of the date of this order.

The parties should have witnesses available to discuss Rate Case Expense, Rate Design, and the overall reasonableness of the Settlement. Without limitation,

the questions asked by the Board may include or be substantially similar to the following:

1. The Settlement indicates that the parties agreed to use Liberty's proposed rate design with a couple of modifications. Liberty's proposed rate design phased-in the customer charge increases. Does the Settlement include a phase-in of the customer charge increase?
2. With respect to the rate case expenses that will ultimately be approved by the Board:
  - a. Under the Settlement, how will rate case expenses be allocated among customer classes?
  - b. What is the basis for the allocation of the rate case expenses among customer classes?
  - c. How will those allocated rate case expenses be recovered via rates (fixed, volumetric, some combination)?
  - d. Do you have an opinion regarding the use of a rider to recover approved rate case expenses?
3. Based on the Settlement's revenue requirement and the current estimates of rate case expense:
  - a. On average, what percentage increase in total rates (including PGA) will each customer class experience?
  - b. What is the range of percentage increases within each class? See Lyons Exhibit TSL-10.
  - c. The Board is aware of the fact that the percentage increase will vary within a class due to variations in consumption. Have you considered any steps that would mitigate the impact of the increases on certain customers? Does the Settlement address any rate increase mitigation efforts? If so, can the parties provide a jointly-filed late exhibit which provides this information?
4. The Settlement states that "The parties reserve all rights related to the amount of rate case expense as provided in Iowa Code 476.6 and 199 IAC 26.4." What does this mean?

### **ORDERING CLAUSES**

#### **IT IS THEREFORE ORDERED:**

1. The request to cancel the hearing scheduled for February 22, 2017, is denied.
2. The request to move the venue for the hearing scheduled for February 22, 2017, is denied.
3. The hearing scheduled to begin at 8:30 a.m. on February 22, 2017, at the Grand Theatre in Keokuk, Iowa, shall be held as scheduled and will address the Stipulation and Agreement filed in this proceeding on February 17, 2017, by Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, the City of Keokuk, Iowa, and Roquette America, Inc. All parties shall have witnesses present at the hearing who can respond to questions from the Utilities Board on the issues identified in the body of this order.
4. Liberty Utilities (Midstates Natural Gas) Corp., d/b/a Liberty Utilities, shall prepare an estimate of its rate case expense incurred to date and introduce that

estimate as an exhibit at hearing to be filed using the Utilities Board's Electronic Filing System pursuant to the Board's rule at 199 IAC 14.5(13).

**UTILITIES BOARD**

/s/ Geri D. Huser

/s/ Elizabeth S. Jacobs

ATTEST:

/s/ Trisha M. Quijano  
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 20<sup>th</sup> day of February 2017.